

**VIRGINIA COMMISSION FOR THE ARTS
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE PERIOD
JANUARY 1, 1999 THROUGH JUNE 30, 2001**



AUDIT SUMMARY

Our audit of the Virginia Commission for the Arts for the period January 1, 1999 through June 30, 2001, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no internal control matters that we consider material weaknesses; and
- no issues of noncompliance that are required to be reported under Government Auditing Standards.

August 20, 2001

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

AGENCY BACKGROUND AND FINANCIAL INFORMATION

The Virginia Commission for the Arts supports and stimulates interest in the arts and strives to make the arts available to all Virginians. The Commission provides direct financial support for art activities and services to artists, arts organizations, and others interested in the arts. Over 750 of Virginia's artists and arts organizations receive more than 90 percent of the Commission's money. The Commission's 13 members meet quarterly to review and approve the activities of the Commission. Each year, the Commission awards grants in the following categories:

- General Operating Support for Arts Organizations Grants
- Project Grants
- Technical Assistance Grants
- Local Government Challenge Grants
- Touring Assistance Program Grants
- Artist Fellowships
- Writers in Virginia Program Grants
- Arts Curriculum Development Grants
- Artists-In-Education Residency Grants (PK-12)
- Community College Artist Residency Grants
- Teacher Incentive Grants
- Arts Education Technical Assistance Grants
- Artists-In-Education Residency Program Artist Study Grants

The Commission also partnered with the Virginia Tourism Corporation to fund the Tourism and Arts Initiative.

The General Operating Support Grant program financially assists organizations to continue, strengthen, and expand their artistic programs. This program represents the largest amount of funding provided by the Commission.

Fiscal Year	Applications Received	Applicants Awarded Funding	Amount Awarded
2000	194	170	\$2,843,500
2001	194	180	\$3,191,700

One of the Commission's most competitive grant programs is the Project Grant program, which was developed to increase access to high quality arts for all Virginians, increase opportunities for artists to create and present their work, and expand arts education opportunities for young people.

Fiscal Year	Applications Received	Applicants Awarded Funding	Amount Awarded
2000	145	86	\$296,979
2001	149	93	\$339,041

The Commission receives funding from the General Assembly and the National Endowment for the Arts. The Commission expends approximately 80 percent of its appropriations through December by distributing a majority of the grants in July of each fiscal year.

	<u>FY 2000</u>	<u>FY 2001</u>
<u>Revenues:</u>		
General Fund appropriations	\$4,328,751	\$4,687,836
Federal grants	511,200	563,739
Other income	<u>38,965</u>	<u>33,860</u>
Total revenues	<u>\$4,878,916</u>	<u>\$5,285,435</u>
<u>Expenses:</u>		
Grant awards	\$4,466,148	\$4,765,990
Administration	<u>412,698</u>	<u>465,333</u>
Total expenses	<u>\$4,878,846</u>	<u>\$5,231,323</u>

INDEPENDENT AUDITORS REPORT

We have audited the financial records and operations of the **Virginia Commission for the Arts** for the period January 1, 1999 through June 30, 2001. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Commission's internal control, and test compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Commission's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over revenues and cash receipts and expenses. We considered these to be the Commission's significant cycles, classes of transactions, and accounting balances.

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Commission's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Commission's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on the internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Commission properly stated, in all material respects, the amounts recorded in the Commonwealth Accounting and Reporting System. The Commission records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we considered material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations found no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this report with management at an exit conference on August 20, 2001.

AUDITOR OF PUBLIC ACCOUNTS

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